Rules and Procedures

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Source: https://www.industrydocuments.ucsf.edu/docs/ntvy0000

Rules and Procedures

- All direct buying customers of R. J. Reynolds Tobacco Company (RJR) have the opportunity to participate in the PARTNERS Program.

- Any new customer in the PARTNERS Program must participate under Plan A only.

- Customer participation, performance and eligibility will be determined and measured by each RJR ship-to location during a Program Period. A Program Period will be six consecutive months, or other periods, designated by RJR. (The initial PARTNERS Program period will be eight months; May - December 1995.)

- To participate in the PARTNERS Program, customer must be enrolled for each ship-to location at the beginning of a Program Period and provide RJR with information it deems necessary to make initial SOM and inventory determinations. A ship-to location may not enroll in the PARTNERS Program after a Program Period has begun.

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Rules and Procedures (cont'd)

- Each customer ship-to location must elect to participate in Sales Information Reporting Plan A or B. This election determines the Program Payment Schedule of per carton payments for which the ship-to location is eligible. After initial election has been made, a ship-to location in Plan B cannot change to Plan A until the beginning of the next Program Period. However, a ship-to location in Plan A may change to Plan B during a Program Period. In such cases PARTNERS Program payments will be calculated from the Program Payment Schedule for Plan B for the entire Program Period.

- PARTNERS Program payments will be made to eligible customer ship-to locations that provide information to RJR as required by Sales Information Reporting Plan A or B and achieve certain RJR performance criteria and share-of-market (SOM) results during a Program Period. The payment amount will vary depending on the Sales Information Reporting Plan chosen, the number of RJR cartons sold and the amount of change in RJR SOM.

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Rules and Procedures (cont'd)

- The amount of PARTNERS Program payments for an eligible ship-to location will be calculated at the end of the Program Period by multiplying (1) the number of RJR cartons sold by customer ship-to location during a Program Period, times (2) the appropriate per carton payment rates from the Program Payment Schedule. The maximum number of cartons on which payments can be earned is 105% of direct purchases from RJR during a Program Period.

- At the beginning of a Program Period RJR will determine for each participating ship-to location (1) a Base SOM for RJR brands, and (2) a Beginning Inventory of all cigarette carton inventory by UPC for all brands and manufacturers. In order for RJR to make these determinations, customers must provide accurate, complete information concerning sales, purchases, returns and inventories for recent time periods as required by RJR. At the close of a Program Period, RJR will also determine (1) the SOM of RJR brands achieved by the ship-to location during the Program Period and

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Rules and Procedures (cont'd)

(2) the Ending Inventory of all cigarette carton inventory by UPC for all brands and manufacturers as of the last day of the Program Period. These determinations will be made from customer information provided under the Sales Information Reporting Plans. The appropriate per carton payment rate from the Program Payment Schedule is determined by comparison of the Base SOM with the SOM achieved during the Program Period.

- SOM determinations are based upon bona fide unit sales (cartons) of RJR product from a ship-to location. SOM will be calculated to one decimal place (e.g., 31.2). Rounding will not be utilized (e.g., 31.2769 = 31.2).

- After a Program Period begins, no adjustments will be made in SOM determinations because of changes or shifts in the customer base serviced by a ship-to location. For example, if Retail Chain purchases from Distributor A but then becomes a direct purchaser of cigarettes from manufacturers or shifts its business to Distributor B, no adjustment will be made in SOM determinations for Distributor A or Distributor B.

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Rules and Procedures (cont'd)

- If feasible, RJR will make such equitable adjustments as it deems appropriate in SOM determinations and carton sales when there is a consolidation of participating ship-to locations which are under common ownership during a Program Period. Any plans to consolidate participating ship-to locations should be coordinated with RJR as early as possible.

- To be eligible for a PARTNERS Program payment at the end of a Program Period, a participating ship-to location must have, throughout the Program Period: remained actively engaged in the cigarette distribution business and a direct purchasing customer of RJR; provide any Distributor Assist Programs / Services; provide RJR products an opportunity for distribution as specified, and accept damaged and / or outdated RJR products from their customers and send to Winston-Salem, NC as returned goods.

- All RJR promotional product and new brand introductions provided by RJR must be utilized in the manner as agreed to regarding the distribution to your customers. Any violation of such agreements will jeopardize your Program payment qualification.

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Rules and Procedures (cont'd)

- All cigarette brands distributed by RJR, including brands of Forsyth Tobacco Products and RJR Macdonald, are included in payment calculations and SOM determinations. RJR will designate which of its brands are considered full price and savings for purposes of the PARTNERS Program.

- Sales Information Reports under Plans A or B which are untimely, contain incorrect or incomplete information, are in improper format / form or otherwise do not comply with Plan requirements will cause the ship-to location to be removed from the PARTNERS Program and lose its eligibility for payment.

- Payment will be made by check or credited to customer bank account via E.F.T. as soon as practicable after a Program Period ends and accurate SOM, performance qualifications and RJR carton sales have been determined and verified to the satisfaction of RJR. In instances of ownership changes for participating ship-to locations, RJR will make PARTNERS Program

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Rules and Procedures (cont'd)

payment only to the owner of record as of the end of a Program Period. Payment will not be prorated. The owner of record is determined from RJR records of direct buying customers.

- RJR will have the right to audit, as and when it deems necessary, customer books and records relating to any information provided pursuant to the PARTNERS Program. RJR will also have the right to conduct a physical count of customer cigarette inventory. Customer refusal to permit audit or inventory count as required by RJR will cause customer to lose its eligibility for payment and disqualify customer for further Program participation during the Program Period.

- Any customer providing false or misleading information, either deliberately or through gross negligence, will lose its eligibility for payment and will be eliminated from participation in the PARTNERS Program for the current and future Program Periods.

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Source: https://www.industrydocuments.ucsf.edu/docs/ntvy0000

Rules and Procedures (cont'd)

- All issues arising from the PARTNERS Program, including interpretation and application of Program requirements and Rules and Procedures and determinations of SOM, sales and inventories, will be resolved by RJR in its sole discretion. The decision of RJR on such matters will be final.

- No customer is permitted to deduct any part of its PARTNERS Program payment or anticipated payment off invoice.

- No direct buying customer is eligible for payment under the PARTNERS Program if it or an affiliated company has past-due invoices from RJR or Forsyth Tobacco Products at the end of a Program Period.

- RJR reserves the right to retain allowances due under the PARTNERS Program as an offset for any outstanding invoices from RJR or Forsyth Tobacco Products. RJR also reserves the right to modify or discontinue the PARTNERS Program at any time.

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Source: https://www.industrydocuments.ucsf.edu/docs/ntvy0000

WINSTON SELECT FULL FLAVOR 100 BOX

Objective

- Introduce Winston Select FF Box 100 with minimal RJR involvement

Program Overview

- Gain distribution
- Sell promotional program
- Pack and ship promotional program
- Place temporary displays
- Place temporary advertising

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Source: https://www.industrydocuments.ucsf.edu/docs/ntvy0000

Program Requirement

- Maintain all current Winston Select sku's

Program Payment

- $1.00 per carton

Payment Method

- $1.00 per carton payment off invoice on all Winston Select Full Flavor Box shipped beginning June 5, 1995 through December 29, 1995

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Source: https://www.industrydocuments.ucsf.edu/docs/ntvy0000

Direct Account Reccommended Activities

- Gain retail distribution
- Place/distribute pre-assembled displays
- Place/distribute temporary advertising

Package Outlets

- Sell temporary counter displays and ship to retail
- Sell package promotion and ship to retail
- Sell product for permanent displays
- Place temporary advertising

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Source: https://www.industrydocuments.ucsf.edu/docs/ntvy0000

Carton Outlets

- Sell small supplemental displays featuring Select 100 Box and ship to retail
- Distribute temporary advertising and place where feasible

Support Tool

- A .40 off one pack promotion will be offered as a tool to introduce Winston Select FF 100 Box
- Winston Select FF 100 Box can also be included in upcoming premium offers and DPC programs

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Source: https://www.industrydocuments.ucsf.edu/docs/ntvy0000

Support Materials

- .40 off VPR's
- Special Select FF 100 Box temporary counter display
- Dump bin riser cards
- Special star burst

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Selling Suggestions

- Schedule meeting with jobber sales force to explain program and discuss ways to inctease sales
- Use placement on our permanent counter displays as a selling tool
- Tele-marketing support
- Send out flyers
- Add to order sheets/order books

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- **SELECT FF BOX 100 NOT ONLY DRIVES THE $1.00 PAYMENT BUT ALSO WILL HELP MAXIMIZE EARNINGS IN THE PARTNERS PROGRAM**

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